



SADC-RTGS User Group 2021

Bank of Malaysia Engagement:
ISO 20022 Migration Approach



Overview

1. Motivation for Migration
2. Formulating the Migration Strategy
3. Stakeholders involvement
4. ISO Migration Strategy



Motivation for Migration

Opportunities



Faster payments for retail and corporate banking customers

A next generation market infra that can offer seamless & quicker processing in support of digital business models.



Address regulatory challenges

Facilitate risk management & compliance with regulations on money laundering fraud, liquidity & credit risk



Big Data to increase competitiveness

Enriched data for better business analysis, improved customer interaction & innovation.



Facilitate cross-border connectivity

Better connectivity with FIs in other countries as major markets move to ISO20022

Risks



Operational disruption to cross border payments.

- SWIFT participants who do not make adjustments may not be able to receive messages (Nov 2022) or send messages (Nov 2025)
- Reduce friction for transactions made with major & regional jurisdictions which will adopt ISO 20022



Non-compliance to AML/CFT requirements.

May risk non-compliance to FATF Recommendation 16¹ because FIs that are still on MT cannot receive cross-border payments on MX (i.e. not able to process & screen additional info for AML/CFT purpose)



¹ Requires countries to collect identifying information from the originators and beneficiaries of domestic and cross-border wire transfers in order to create suitable AML/CFT audit trail.

Formulating the Migration Strategy



Expertise & experience

- Learning from others
- Constant engagement with subject matter experts
- Capacity building through trainings



Leadership from regulator

- Provide clear direction and message to industry
- Identify resources and clear project governance



Clarity on guiding principles

- Risk appetite and priority determine approach/strategy
- Industry readiness



Industry involvement

- Commitment from Board / Management
- Identify business needs and challenges
- Minimise issues and friction for industry implementation



Stakeholder Involvement

Industry Players

Since the start of the initiative, BNM has close engagement with the industry

- Industry consultation and engagement sessions
- Industry working group
- Data sub-working group
- Bilateral engagements on specific issues

Internal collaboration

We also ensure strong collaboration between relevant departments within central bank

- User departments – internal implementation
- Regulatory departments – identifying data fields for regulatory purposes



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ISO Migration Approach

Two-Phased Approach for ISO 2022 Migration for RENTAS



Phase 1: Co-existence approach

- Dual messaging standard, i.e. existing messaging standard (MT) and ISO 2022 (also known as MX)
- Message communicated would be converted at RENTAS from MT to MX and vice versa, using a **centralised translator**.
- During this phase, participants can choose to either remain on MT or move to MX. Participants that are still on MT have a 2-year timeline to fully migrate to MX.

Phase 2: Full Adoption of ISO 2022 for payments

Full adoption by all RENTAS participants

- **Alignment to global market practices** for large value payment systems, i.e. HVPS⁺, to facilitate harmonisation of payment messages internationally.
- **New data fields** would be introduced in RENTAS (e.g. structured remittance information, purpose codes) to reap the benefits of ISO 2022.



*securities currently not part of scope
*will also be aligning retail system with RTGS (timeline tbc)



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Thank you

